

ANGUS COUNCIL

Special Budget Meeting of Angus Council - 14th February 2002

REVENUE BUDGET 2002/03 SETTING OF THE COUNCIL TAX

Report 202/02

Report By The Director of Finance

ABSTRACT

The purpose of this report is to explain the detailed steps which have already been taken and the further steps which still require to be taken with regard to the setting of the Council Tax charge for Angus Council in respect of the financial year 2002/03.

1. RECOMMENDATIONS

It is recommended that the Council :-

- a) Approve the 2002/03 net estimated expenditure of £161.031 million (excluding contributions to/from General Fund Balances and Special Funds) for Angus Council;
- b) Agree that an allowance of 4% for non-collection of the Council Tax be used in the tax setting calculations;
- c) Determine the contributions to/from General Fund Balances and Special Funds to be made for 2002/03;
- d) Determine the 2002/03 Council Tax payable at Band D;
- e) Note that the Unified Business Rate as prescribed by the Scottish Executive has been provisionally set at 47.8p for financial year 2002/03.

2. INTRODUCTION

Throughout this report, certain financial terminology will be encountered and a Glossary of Terms for the more important items is provided at Appendix 1 to assist readers.

The background surrounding the preparation of the revenue budget 2002/03 has been reported, inter alia, within Report Nos. 766/01, 1380/01, 151/02 and 198/02 as prepared by the Director of Finance. In summary, these reports have highlighted that Angus Council faces a difficult task in delivering its revenue budget for 2002/03 within the resources anticipated to be available.

The Provisional Revenue and Capital Budgets 2002/03 Background Report (198/02) considered earlier today outlined that departmental cuts totalling £1.749 million were necessary to balance the budget prior to further decisions being made on the setting of the Council Tax.

Angus Council's net estimated expenditure for 2002/03 will be £161.031 million (excluding contributions to/from General Fund Balances and Special Funds) after removal of the £1.749 million of proposed departmental cuts. After deduction of £130.485 million Aggregate External Finance (AEF) a balance of £30.546 million is left to be funded from Council Tax charges before considering the required contributions to or from the Council's Funds and Balances which will be determined at the Council Tax setting meeting.

The remainder of this report outlines the main financial considerations and the steps necessary to set the Council Tax charge.

3. MAIN FINANCIAL CONSIDERATIONS

3.1 Revised Total Estimated Net Expenditure 2002/03

The revised total of estimated net expenditure for 2002/03 as set out in the Summary Statement of Net Expenditure attached at Appendix 2, is £161.031 million (this assumes that all of the departmental cuts outlined in report 200/02 are approved). This figure includes Capital Financing Costs, an allowance for inflation (see Section 3.3 below) and contributions from DSO surpluses. However, it excludes contributions to Special Funds.

It should be noted that no allowance has been made within this net expenditure total in respect of free personal care for older people. A sum of £125 million has been provided nationally in the Finance Settlement for this initiative which was due to be introduced from 1 April 2002 but has now been delayed until 1 July 2002. However, Council's have still to be informed of their share of this funding and it will thus be necessary to adjust the revenue budget at a later stage to take cognisance of the final funding package to be provided by the Scottish Executive. Further reports will be brought to committee in this regard as appropriate.

3.2 Aggregate External Finance

The overall level of Aggregate External Finance (Government Grant) allocated to Angus Council for 2002/03 has been set at £130.468 million as notified in the Scottish Executive Finance Circular No. 8/2001.

However, as a consequence of nominal amendments to the previously announced specific grant figures a net increase in estimated specific government grant of £17,000 requires to be made for Council Tax calculation purposes. The revised AEF total is therefore £130.485 million.

3.3 Provision For Inflation

A degree of provision for inflation has been included in the Summary Statement of Net Expenditure (Appendix 2). This is mainly with regard to pay inflation, although a limited provision for general inflation has also been made in some departmental budgets in recognition of certain budget issues affecting these departments.

Pay awards for all categories of staff in 2002/03 have been agreed and allowed for in the revenue budget as follows :

Staff Category	Pay Award		
	%	£ million	Date
Chief Officers	3.0	0.100	1 April 2002
APT&C / Manual *	3.4	1.470	1 March 2002
Teachers	4.0		1 April 2002
	3.5	2.000	1 January 2003
Total		3.570	

* note that the actual pay award is a flat rate of £500 which equates to an average of 3.4% over the whole Council

Allowance has been made in the 2002/03 revenue budget for those unavoidable costs in relation to inflation e.g. rates increases. The impact of other inflationary pressures e.g. general price increases in supplies, will require to be absorbed within departmental cash limited budgets. It should be noted that the budget cuts totalling £1.749 million referred to above exclude the further cost reviews which departments may need to undertake to absorb the impact of non-pay inflation.

3.4 Provision for Contingencies (Other Than Funds)

Report 151/02 outlined the implications of the government grant announcement for 2002/03 and noted that there were a number of government initiatives which presented significant budget risks for the Council's 2002/03 revenue budget e.g. McCrone, Department of Work and Pensions transfers, free personal and nursing care for older people. In light of these risks and any issues which may arise from the ongoing implementation of the single status agreement, it is considered prudent for a provision of £0.6 million to be held centrally in the revenue budget to allow any such budget issues arising during 2002/03 to be addressed. While the Council also holds a General Fund contingency balance (see 3.5. below) this is more suited to addressing one-off budget issues arising during the year rather than the ongoing nature of the budget risks presented by the government initiatives.

However, while this limited contingency has been made for a number of budget risks, it must be stressed, for the avoidance of any doubt, that the departmental budgets set are "Cash Limited Budgets" within which departments must contain their 2002/03 actual expenditure. Strict accountable management will need to apply with departments utilising virement facilities to ensure that an overspend situation does not occur. The rules concerning virement are included in Section 4 of the Council's current Financial Regulations.

3.5 Earmarking of General Fund Balances

Report 193/02 to the Policy and Resources Committee of 5 February 2002 noted that the uncommitted balance on the Council's General Fund was projected to be £3.9 million at 31 March 2002. It should be borne in mind, however, that this position cannot be assessed with certainty until the 2001/02 accounts of Angus Council have been prepared. In addition, experience has shown that projected outturn estimates can change significantly in the last month of the financial year depending on prevailing weather conditions, particularly in respect of roads winter maintenance, heating costs, and so on. This projected balance was sufficient to maintain a contingency of 2.5% of the Council's net budget.

Report 190/02 to the Policy and Resources Committee of 5 February 2002 outlined the current position with regard to the Montrose Mid Links project and approved the transfer of £0.482m from General Fund Balances to the Local Capital Fund as the Council's contribution towards the project. This transfer reduces the uncommitted balance on the Council's General Fund from £3.9 million to £3.4 million. Accordingly, this has necessitated the contingency sum being reduced from 2.5% of net budget to 2.25% and thus reduces the Council's protection against any budget risks.

3.6 Council Funds and Balances

In light of the current financial climate the importance of sustaining a sufficient reserve position is pivotal to the financial framework of the Council given the very tight budgets which have had to be set for Council departments and the inherent risk therein. These issues will be further considered as part of the Special Budget setting meeting of the Council.

3.7 Unified Business Rate

The Scottish Executive has announced that the provisional Unified non-domestic rate poundage for 2002/03 is 47.8p.

3.8 Allowance for Non-Collection

An element of non-collection of Council Tax will exist and it is considered prudent to make a 4% non-collection allowance. The allowance for non-collection agreed by the Council last year in setting the 2001/02 Council Tax was 4%.

3.9 Balance of 2002/03 Estimated Net Expenditure to be met from Council Taxes

A more detailed analysis of the estimated net expenditure to be met from Council Taxes is set out in the Council Tax Calculation Statement attached at Appendix 3. A summary is given in the table below:

	£ million
Net Expenditure (per Appendix 2)	161.031
<u>Deduct</u> Aggregate External Finance (AEF) (as adjusted)	<u>(130.485)</u>
Net Expenditure to be met by Council Tax (Before Balances)	30.546
<u>Add</u> Further Contribution to / from Council Funds and Balances	to be determined
Net Expenditure to be met by Council Tax	to be determined
Tax Base for Council Tax Calculation Purposes (@ 96% collection)	37,748*

* if the Band D Council Tax were £1 it would yield £37,748 of income

3.10 Council Tax Valuation Bandings

The Council is required to set the Council Tax based on Valuation Band D. The Council Tax Charge for properties in the other Valuation Bands is calculated with reference to Band D. The Valuation Bandings used in the calculation of Council Tax are shown in Appendix 4 for information.

4. FURTHER STEPS TO BE TAKEN TO DETERMINE THE COUNCIL TAX

In order that the Council may determine the 2002/03 Band D Council Tax charge, a number of decisions require to be taken as follows :-

- a) Approval of the estimated level of non-collection of the Council Tax to be used in calculating the estimated effective pound product of Charge. A non-collection allowance of 4% is recommended.
- b) Determination of any contributions to or from Council Funds and balances considered necessary.

5. CONSULTATION

The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this report.

6. CONCLUSION

The setting of the Council Tax effectively represents the conclusion of the general fund revenue budget process. Final budgets for each department, based on the decisions made at the Council Tax setting meeting, will be issued in the near future to allow budget monitoring processes to begin early in the new financial year.

Amendment to departmental budgets will be necessary to reflect those additional funds to be forthcoming from the Scottish Executive in respect of free personal care for older people. Further reports will be brought to committee in this regard as appropriate.

The support and co-operation of all of the Council's staff involved in the preparation of the revenue budget continues to be much appreciated.

DAVID S SAWERS
Director of Finance

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in the preparation of this report.